

**STATE OF SOUTH CAROLINA**

Generic Proceeding to Explore a Formal Request for  
Proposal for Utilities that are Considering Alternatives  
for Adding Generating Capacity

**BEFORE THE  
PUBLIC SERVICE COMMISSION  
OF SOUTH CAROLINA**

**COVER SHEET**

**DOCKET**

**NUMBER: 2005 - 191 - E**

(Please type or print)

**Submitted by:** K. Chad Burgess

**SC Bar Number:** 69456

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NOTE: The cover sheet and information contained herein neither replaces nor supplements the filing and service of pleadings or other papers as required by law. This form is required for use by the Public Service Commission of South Carolina for the purpose of docketing and must be filled out completely.

**DOCKETING INFORMATION** (Check all that apply)

☐ Emergency Relief demanded in petition ☒ Request for item to be placed on Commission's Agenda expeditiously

☐ Other: \_\_\_\_\_

INDUSTRY (Check one)	NATURE OF ACTION (Check all that apply)			
<input checked="" type="checkbox"/> Electric	<input type="checkbox"/> Affidavit	<input checked="" type="checkbox"/> Letter	<input checked="" type="checkbox"/> Request	
<input type="checkbox"/> Electric/Gas	<input type="checkbox"/> Agreement	<input type="checkbox"/> Memorandum	<input type="checkbox"/> Request for Certification	
<input type="checkbox"/> Electric/Telecommunications	<input type="checkbox"/> Answer	<input type="checkbox"/> Motion	<input type="checkbox"/> Request for Investigation	
<input type="checkbox"/> Electric/Water	<input type="checkbox"/> Appellate Review	<input type="checkbox"/> Objection	<input type="checkbox"/> Resale Agreement	
<input type="checkbox"/> Electric/Water/Telecom.	<input type="checkbox"/> Application	<input type="checkbox"/> Petition	<input type="checkbox"/> Resale Amendment	
<input type="checkbox"/> Electric/Water/Sewer	<input type="checkbox"/> Brief	<input type="checkbox"/> Petition for Reconsideration	<input type="checkbox"/> Reservation Letter	
<input type="checkbox"/> Gas	<input type="checkbox"/> Certificate	<input type="checkbox"/> Petition for Rulemaking	<input type="checkbox"/> Response	
<input type="checkbox"/> Railroad	<input type="checkbox"/> Comments	<input type="checkbox"/> Petition for Rule to Show Cause	<input type="checkbox"/> Response to Discovery	
<input type="checkbox"/> Sewer	<input type="checkbox"/> Complaint	<input type="checkbox"/> Petition to Intervene	<input type="checkbox"/> Return to Petition	
<input type="checkbox"/> Telecommunications	<input type="checkbox"/> Consent Order	<input type="checkbox"/> Petition to Intervene Out of Time	<input type="checkbox"/> Stipulation	
<input type="checkbox"/> Transportation	<input type="checkbox"/> Discovery	<input type="checkbox"/> Prefiled Testimony	<input type="checkbox"/> Subpoena	
<input type="checkbox"/> Water	<input type="checkbox"/> Exhibit	<input type="checkbox"/> Promotion	<input type="checkbox"/> Tariff	
<input type="checkbox"/> Water/Sewer	<input type="checkbox"/> Expedited Consideration	<input type="checkbox"/> Proposed Order	<input type="checkbox"/> Other:	
<input type="checkbox"/> Administrative Matter	<input type="checkbox"/> Interconnection Agreement	<input type="checkbox"/> Protest		
<input type="checkbox"/> Other:	<input type="checkbox"/> Interconnection Amendment	<input type="checkbox"/> Publisher's Affidavit		
	<input type="checkbox"/> Late-Filed Exhibit	<input type="checkbox"/> Report		



June 5, 2008

**VIA ELECTRONIC FILING**

The Honorable Charles Terreni  
Chief Clerk/Administrator  
**Public Service Commission of South Carolina**  
101 Executive Center Drive (29210)  
Post Office Drawer 11649  
Columbia, South Carolina 29211

RE: Exception to RFP for replacement peak generating power

Dear Mr. Terreni:

South Carolina Electric & Gas Company ("SCE&G") hereby requests that the Public Service Commission of South Carolina ("Commission") issue an order excepting SCE&G from certain requirements set forth in the Commission's Order No. 2007-626 governing the addition of peaking generation facilities.

On June 24, 2005, the Commission opened a generic docket to explore the issue of requiring electric utilities to engage in formal requests for proposals (RFPs) for the addition of generating capacity. Generic Proceeding to Explore a Formal Request for Proposal for Utilities that are Considering Alternatives for Adding Generating Capacity, Docket No. 2005-191-E (RFP Docket). After due consideration, the Commission issued an order dated September 13, 2007, requiring a mandatory RFP for "new peaking generation requirements" and establishing a workshop to allow input regarding implementing procedures for the mandatory RFP process. Order No. 2007-626, Docket No. 2005-191-E (Sept. 13, 2007) (hereinafter RFP Order). The workshop was held on March 13, 2008, with the utilities and interested parties, including SCE&G. SCE&G, Duke Energy Carolinas, LLC, and Progress Energy Carolinas, Inc., provided the Commission with a joint presentation and recommendations regarding implementation of the RFP requirements (RFP Recommendations).

SCE&G seeks permission from the Commission to replace four older natural gas-powered turbines used to provide peaking capacity with two newer natural gas turbines without engaging in a formal RFP process as set forth in the RFP Order. Currently, SCE&G owns three natural gas turbines located in Burton, South Carolina, and one natural gas turbine in Charleston, South Carolina, that are rated for a combined generating capacity of 38 megawatts (MWs) at summer peak conditions. These four units are all of the same general make, were placed in service in 1961, and were used as peaking units until recently. In September of 2007, one of the natural gas turbines at Burton experienced a mechanical failure, rendering the unit inoperable. After investigating the incident and that turbine, SCE&G conducted an inspection of the other three turbines and determined that all four units needed to be retired based on the evident wear and tear on the units after such a long period of service.

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SCE&G then explored alternatives to replacing the lost generation, including repair or replacement of the turbines. After weighing the costs and benefits of different approaches, SCE&G has determined that the most cost-efficient means of replacing the lost peaking capacity is to purchase two General Electric LM2500 natural gas turbines rated at approximately 17 MWs (summer peak rating) each for placement at SCE&G's Hagood facility in Charleston. Please note also that the winter peak rating is 24 MW for each of the gas turbines. The purchase and installation will carry a total cost of approximately \$28 million. This purchase price translates into a cost of approximately \$824 per KW ( $\$28,000,000 \div (17,000 \text{ KW} \times 2) = \$824 \text{ per KW}$ ). For comparison purposes, if SCE&G had decided to purchase two, brand new LM2500 peaking generators, the cost would be approximately \$1,176 per KW.

The purchase and installation of these two relatively new turbine units is effectively a replacement of lost capacity. The two units are newer and more efficient, which benefits the environment, the customers, and SCE&G. Additionally, the relocation of these two units in Charleston assists SCE&G in ensuring continued reliability of service in areas of anticipated growth in the Charleston area. It is also noteworthy that the availability of these peaking turbines for the winter of 2008 is important for the customer base.

This replacement of peaking capacity is well under even the proposed RFP exception of 75 MWs proffered by the utilities in the RFP Recommendation. Engaging in a formal RFP process as contemplated in the RFP Order would impose a relatively high administrative cost to replacing and adding these peaking units. It would also delay the availability of this peaking capacity to the customer base which SCE&G would like to accomplish as soon as possible.

For the reasons set forth above, SCE&G respectfully requests that the Commission issue an order approving the purchase of the two General Electric LM2500 gas turbines to replace the four natural gas turbines taken out of service and excepting SCE&G from the procedures set forth in the RFP Order. Given the limited nature of the relief requested, the Commission may issue such an order without a hearing.

Thank you for your time and consideration of this request. If you have any questions or would like any additional information, please do not hesitate to contact us.

Very truly yours,

A handwritten signature in cursive script that reads "K. Chad Burgess/kms".

K. Chad Burgess

cc: Shannon B. Hudson, Esquire (via hand delivery)